



State of Idaho

Legislative Services Office

Management Report

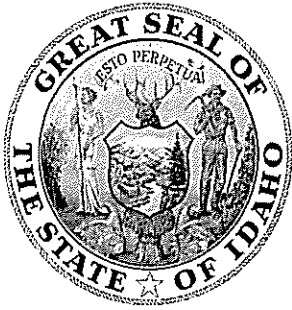
A communication to the Joint Finance-Appropriations Committee

DEPARTMENT OF FINANCE

FY 2009, 2010, AND 2011

Report MR25011
Date Issued: December 20, 2011

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

Idaho Legislative Services Office
Legislative Audits Division

DEPARTMENT OF FINANCE

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Department of Finance covering the fiscal years ended June 30, 2009, 2010, and 2011. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Department.

FINDINGS AND RECOMMENDATIONS

There are no findings and recommendations in this report.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

AGENCY RESPONSE

The Division has reviewed this report and is in general agreement with its contents.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

DEPARTMENT OF FINANCE – FISCAL YEAR 2011

Fund	Fund No.	Beginning	Plus Receipts	Less Transfers	Less Disbursements	Ending
		Cash Balance				Cash Balance
State Regulatory Fund	0229	\$13,312,863	\$11,559,621	\$5,956,611	\$5,289,691	\$13,626,182
Public Instruction Fund	0325	23,036	49,484	0	49,484	23,036
Custodial Fund	0630	14,994	439,855	0	412,473	42,376
TOTAL		\$13,350,893	\$12,048,960	\$5,956,611	\$5,751,648	\$13,691,594

This report is intended solely for the information and use of the State of Idaho and the Department of Finance and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Gavin Gee, and his staff.

ASSIGNED STAFF

Patrick Aggers, CPA, CFE, Managing Auditor

Wade Kimball, Staff Auditor

Mark Schoenfeld, Staff Auditor

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AGENCY RESPONSE



IDAHO

DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

November 21, 2011

Don Berg, Manager
Legislative Audits
LEGISLATIVE SERVICES OFFICE
P O Box 83720
Boise ID 83720-0054

RE: Fiscal Year 2009-2011 Audit Report

Dear Don:

The Department has reviewed the Fiscal Year 2009-2011 Management Report conducted by your office. There were no findings or recommendations contained in the report, and the report concluded "We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Department."

We hereby accept the FY2009 –FY2011 audit report and its conclusion.

It was a pleasure working with you and your staff and I especially want to thank Patrick Aggers, Wade Kimball, and Mark Schoenfeld, for their cooperation and professionalism throughout the course of their work.

Sincerely,

GAVIN M. GEE
Director of Finance

DIRECTOR'S OFFICE

Director – Gavin M. Gee

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APPENDIX

HISTORY

The Department of Finance was created by the Idaho State Legislature in 1905. It is a department of the executive branch of State government, headed by a director appointed by the Governor and subject to Senate confirmation.

The Department administers the following 23 regulatory statutes:

- Idaho Bank Act
- Idaho Credit Code
- Idaho Bank Holding Company Act
- Idaho Mortgage Company Act
- Idaho Interstate Banking Act
- Idaho Collection Agency Act
- Idaho Interstate Branching Act
- Idaho Uniform Securities Act
- Idaho International Banking Act
- Idaho Residential Mortgage Practices Act
- Idaho Trust Institutions Act
- Business Combination Act
- Idaho Savings Bank Act
- Control Share Acquisition Act
- Business and Industrial Development Corp. Act
- Idaho Commodity Code
- Endowment Care Cemetery Act
- Idaho Credit Union Act
- Continuing-Care Disclosure Act
- Idaho Money Transmitters Act
- Idaho Escrow Act
- Idaho Loan Broker Statutes
- Idaho Financial Fraud Prevention Act

The Department has broad discretionary authority to charter and regulate the activities of banks, bank holding companies, credit unions, and savings and loan associations. The Department examines the books, records, and operations of these institutions, to evaluate the quality of an institution's assets, operations, and management, to determine what actions the State will take to ensure the safety of funds belonging to Idaho citizens. A copy of the Department's organizational chart follows this appendix.

The Department is the licensing authority for regulated lenders, collection agencies, retail sellers of goods and services extending credit to their customers, securities issuers, broker/dealers, salespeople, investment advisers, money transmitters, endowed care cemeteries, payday and title lenders, continuing care providers, and mortgage lenders and brokers.

Licensing and regulation of these activities include the review of securities' offerings to ensure full disclosure, and the examination of books, records, and business practices for compliance with State and federal laws, rules, and regulations. The Commodity Code gives enforcement authority to detect and prevent commodity scams. The Department issues rulings when corporations attempt to acquire control of publicly-held Idaho corporations by purchasing a controlling number of equity securities.

Until January 1985, the Department was funded by a General Fund appropriation, except for a minor amount received from the Dedicated Cemetery Fund. Beginning January 1, 1985, the legislature directed that various General Fund fees collected be deposited in the Department's dedicated Finance Administrative Fund. It also eliminated the Cemetery Fund and directed its proceeds to be deposited in the Department's Dedicated Fund. This allowed the Department to be funded from the various fees it collects.

At this time, the legislature also added Idaho Code, Section 67-2702, requiring money in the Finance Administrative Fund that exceeded the current year's appropriation (plus any residual encumbrances) by over 25%, to be transferred to the General Fund.

STATUTORY AUTHORITY

The Department operates primarily under the following sections of the Idaho Code:

Idaho Banking Laws	26-101 through 26-1815 and 26-2601 through 26-2613
Idaho Credit Union Act	26-2101 through 26-2188
Idaho Credit Code	28-41-101 through 28-49-107
Idaho Collection Agency Law	26-2221 through 26-2251
Idaho Securities Act	30-14-101 through 30-14-703
Idaho Endowment Care Cemetery	Act 27-401 through 27-424
Idaho Business & Industrial Development Corp. Act.....	26-2701 through 26-2732
Idaho Trust Institutions Act	26-3201 through 26-3609
Idaho Continuing Care Disclosure Act	26-3701 through 26-3715
Idaho Business Combination Law	30-1701 through 30-1710
Idaho Control Share Acquisition	30-1601 through 30-1614
Idaho Commodity Code	30-1501 through 30-1520
Idaho Mortgage Company Act	26-2801 through 26-2811
Idaho Money Transmitters Act	26-2901 through 26-2928
Idaho Residential Mortgage Practices Act	26-3101 through 26-3117
Idaho Public Depository Law	57-101 through 57-145
Idaho Department of Finance	67-2701 through 67-2749
Idaho Financial Fraud Prevention Act	67-2750 through 67-2762
Idaho Loan Broker Statutes	26-2501 through 26-2506
Idaho Escrow Act	30-901 through 30-935

FUNDING

STATE REGULATORY FUND 0229 – The State Regulatory Fund is the primary fund utilized by the Department. Fund sources include various fees assessed to the participants working in the financial industry. The Department uses the fees and fines to cover the cost of regulating the financial industry in Idaho, self-funds the following year's appropriation, and annually transfers amounts that exceed the following year's appropriation (+25%) to the General Fund.

MORTGAGE RECOVERY FUND 0229-26 (Idaho Code, Section 26-31-109) – As provided in Idaho Code, Section 26-31-112, the Mortgage Recovery Fund shall be used to reimburse persons to whom an Idaho court awards actual damages resulting from acts constituting violations by a mortgage broker, mortgage lender, or mortgage loan originator who was licensed, or required to be licensed, at the time that the act was committed.

PUBLIC INSTRUCTION FUND 0325 – The Securities Investor Education and Training Fund was established as part of the Uniform Securities Act of 2004. All civil penalties and administrative fines, up to \$50,000, collected pursuant to the Act are deposited into the fund. The money is to be used for investor education and training.

CUSTODIAL FUND 0630 – The Custodial Fund was established to enable the Department to account for restitution amounts owed to consumers harmed in conjunction with acts administered by the Department. The Department deposits restitution money into the fund, and then makes disbursements to the correct individual or entity.

#0001 GEE
Director of
Finance



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